

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/18/2012
POSITION: Neutral

BILL NUMBER: AB 2138
AUTHOR: Blumenfield, Bob

BILL SUMMARY: Health insurance fraud: annual fee.

This bill would authorize the Commissioner of the Department of Insurance (Commissioner) to increase the disability fraud fee from no more than \$0.10 per year per insured to no more than \$0.20 per year per insured. This bill would also change the allocation for how these funds are distributed.

FISCAL SUMMARY

The California Department of Insurance (CDI) estimates that the Disability Insurance Fraud Account in the Insurance Fund collects \$4.1 million annually from this fee. Of the amount collected, \$2.0 million is allocated to the CDI's Fraud Division and \$2.0 million is allocated to local district attorneys. The current fee of \$0.10 was established in 1991 and has not been increased since that time. This bill would result in \$8.2 million being collected annually with \$2.4 million being allocated to the CDI's Fraud Division and \$5.7 million being allocated to local district attorneys.

COMMENTS

The Department of Finance is neutral on this bill. This bill would authorize the Commissioner to increase rates to disability insurers by \$0.10 per insured per year. This would provide additional resources to the CDI and local district attorneys to investigate disability insurance fraud.

Current law:

- Provides for the regulation of disability insurers by the CDI.
- Requires disability insurers to pay an annual fee that does not exceed \$0.10 per year for each insured to fund increased investigation and prosecution of fraudulent disability insurance claims. The funds are deposited into the Disability Insurance Fraud Account in the Insurance Fund.
- Requires 50 percent of those funds to be distributed to the Fraud Division of the CDI for enhanced investigation efforts and 50 percent of those funds to be distributed to local district attorneys for the investigation and prosecution of disability insurance fraud cases.

This bill would:

- Authorize the Commissioner to increase the fee to no more than \$0.20 per year per insured and require that 30 percent of those funds go to the CDI's Fraud Division and 70 percent to local district attorneys.
- Require the CDI to adopt regulations to implement the provisions of this bill.
- Authorize insurers to recoup this fee through a surcharge on premiums or through including the fee within the insurer's rates.

Analyst/Principal (0221) J.Carosone	Date	Program Budget Manager Lisa Ann Mangat	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

Blumenfield, Bob

06/18/2012

AB 2138

COMMENTS (continued)

The CDI indicates that it received over 6,000 health and disability suspected fraudulent claims from 2007 to 2010. Only a fraction of those claims were referred to the local district attorneys. These referrals resulted in 221 arrests and 184 convictions. The CDI asserts that this represents only a fraction of insurance fraud conducted in California. This bill would provide additional resources for the CDI to investigate insurance fraud and the local district attorneys additional resources to investigate and prosecute insurance fraud. The current fee of \$0.10 was established in 1991 and has not been increased since that time.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013	FC	2013-2014	FC Fund
1231/Ins Lic Fees	RV	No	U	2,040	U	4,080	U 4,080 0217
0845/Insurance	LA	No	A	1,836	A	3,672	A 3,672 0217
0845/Insurance	SO	No	A	204	A	408	A 408 0217
<u>Fund Code</u>				<u>Title</u>			
0217				Insurance Fund			